

UNIVERSITY OF GONDAR
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT



**ASSESSMENT OF PURCHASING PRACTICE: A CASE OF ADDIS
ZEMEN TOWN ADMINISTRATION FINANCE AND ECONOMIC
DEVELOPMENT OFFICE**

MBA THESIS

BY
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June, 2015
Gondar, Ethiopia

**ASSESSMENT OF PURCHASING PRACTICE: A CASE OF ADDIS
ZEMEN TOWN ADMINISTRATION FINANCE AND ECONOMIC
DEVELOPMENT OFFICE**

**A Thesis Submitted to Department of Management College of Business and
Economics, School of Graduate Studies**

University of Gondar

In Partial Fulfillment for the Requirements of MBA Degree

BY

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June, 2015

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DECLARATION

Since I know that non-adherence to the principles of academic honesty and integrity and fabrication of any ideas or sources will constitute sufficient ground for disciplinary action by the university as well as the penal action that could be evoked from the sources which have not been properly cited or acknowledged, I, the undersigned, declare that this study entitled “Assessment of purchasing practice: a case of Addis Zemen town administration finance and economic development office” is my own original work. This study has not been submitted for any degree or masters and above program in this university or any other institutions and that all sources of materials used for the thesis work have been duly acknowledged and cited in the reference list.

Declared by Habteyesus Fiseha

Signature

June 2015

Gondar, Ethiopia

CERTIFICATION

This is to certify that Mr. Habteyesus Fiseha has been carrying out his thesis work on the topic entitled: “Assessment of purchasing practice: a case of Addis Zemen town administration finance and economic development office” under my guidance and supervision and so that the study has not been submitted for any degree or masters and above program within this university or any other institutions and all sources of materials used for the thesis work have been duly acknowledged and cited in the reference list by the researcher. Therefore, I assured and certified that this thesis work is original in nature and is suitable for submission for the award of Master’s degree in Business Administration (MBA)

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Approval of Examiners:

This is to certify that the thesis work prepared by Habteyesus Fiseha, entitled: “Assessment of purchasing practice: a case of Addis Zemen town administration finance and economic development office” and submitted in partial fulfillment of the requirements for the degree of Master of Business Administration in management complies with the regulations of the university and meets the accepted standards with respect to originality and quality. This is because as member of examiners of the MBA thesis work open defense examination, we assured that we have read, evaluated and examined the defense on the thesis, and thus, we approved that the thesis is accepted as fulfilling the thesis requirement for the degree of Masters of Business Administration (MBA)

Signed by board of examiners

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ACKNOWLEDGEMENT

First and foremost, praise be to Almighty GOD for giving me health, comprehension and patience to complete this work.

I begin thanking my advisor, Asmamaw Tilahun, for the patience and compassion that he has imparted on me. He helped to relentlessly find the way to accomplish the study on time. He has offered me guidance, and unwavering support throughout the process.

I must also acknowledge the support and help of my very good friend and colleague, Yonas Lakew. I want to thank Ato Hailemariam Getu for his kind and genuine support at very critical time of the research process.

I want also to forward my gratitude to Gizachew Wubet who helped me to contact and collect data for the study. Last but not least, I thank all my classmates and friends who share their ideas on many essential issues of the study.

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ABSTRACT

This research is intended to assess the purchasing practice of Addis Zemen Town Administration Finance and Economic Development Office. The study is conducted to find viable solution for the prevailing inefficient and delayed purchasing practices. In addition to its academic purpose the thesis is envisaged to have significance both for practical improvement of the town administration finance and economic development office purchasing practices and for conceptual contribution to fill literature gap. Mixed research approach is employed since primary and secondary data sources have been used intensively. To conduct this study, the researcher gathers data from primary sources using semi-structured questionnaire, interview has been held with purposively selected respondents, and in addition, secondary data sources including purchasing manuals, purchase requisition formats and other various documents related to purchasing practices have been used. The data is analyzed using qualitative methods of analysis by narration and descriptive statistical results are presented by tables, frequency distributions and percentages to give a condensed picture of the data. The latest version of Statistical Package for Social Science (SPSS 20.0) software was employed to analyze and present the data through the statistical tools used for this study. The major findings of this study show the main problems related with the purchasing activities of Addis Zemen Town Administration Finance and Economic Development office and conclusions have been drawn from the results of the analysis. Recommendations are given both to provide solutions for the prevailing inefficient and delayed purchasing practices and directions for further studies.

CHAPTER ONE

INTRODUCTION

1.1 Background

In the past 150 years, purchasing function milestones can be divided into seven golden periods in organizations from 1850s up to beginning of twenty-first century. The solution begins with emerging of purchasing as a separate cooperative function, continues with development of basic purchasing procedures and ideas, recognition of purchasing function as determining sources of supply, sustaining purchasing role to reduce overall product cost, revival of material management as solution to material problem inclusive sourcing, followed by globalization era where is observed the development of supply chain management(SCM) and its effect on purchasing structure and behavior. Finally, in new millennium, restructure and reformation of purchasing and SCM to face new era of challenges in global competition, plays an important role for organization (Monczka et al., 2005).

In current business environment, rapid changes and new avenue on cost control is crucial in order to strive through global competition. Comparative advantage in contemporary market flux does not depend solely on firms' competence in providing competitive ranges of offerings. Conversely, it draws on firms' skill to establish superior purchasing strategies in complex inter organizational setting of numerous suppliers. Thus, shifting exploration from conventional way of thinking to strategic purchasing as one of the core elements enable the organization to equip well in order to wave through competition (Guinipero, 2005).

Purchasing commits large proportions of organizations incomes; on average 60 percent of organizations sales income is invested in material acquisitions. It obtains considerable amount of attention in current uncertainty business environment as key value adding function to support and sustain firms' successful performance. As a result it is important to adopt the purchasing function in to organization business strategy as every business striving hard to protect the interest of stake holders (Juha, 2008).

The study area is Addis Zemen Town Administration which is found in Amhara regional state, in South Gondar Zone. Four years ago, Addis Zemen was served as Libo kemkem wereda town head set, but after 2001 E.C, Addis Zemen gets the chance to be a small town administration scale in the regional restructuring. Addis Zemen Town Administration is located far from its zonal administration, Debre Tabor Town near to 41 kilometer and to regional city of Amhara Region, Bahir Dar 78 kilometer away and 652 kilometers far from the capital city of Ethiopia, Addis Ababa.

In Addis Zemen Town Administration, there are about nine Offices; namely, Mayor Office, Finance and Economic Development office, Civil Service Office, Trade and Transport Office, Small and Micro Enterprise Office, Municipality Office, Council Office, Revenue Office, and Police Office. Among others, Finance and Economic Development Office specifically the Purchasing Department is responsible in undertaking the overall purchasing activities of these offices.

About 6-7million birr budget is allocated for purchasing every year, which is more than 70% of the total budget. The budget is allocated and approved by Amhara Region Finance and Economic Development Bureau, and Finance and Economic Development Office is responsible to implement the purchases according to the federal government purchasing guidelines and manual.

The purchasing process involves various steps: the purchase requisite might originate from users (the above listed nine offices), the purchasing department of finance and economic development office collects and summarizes the purchase requisite, when the purchase should be done through auction bid, document shall be prepared by bid evaluation committee and the committee shall evaluate the bid documents and select the winner based on price and quality and presents recommendation for final approval to the head of finance and economic development office. The winner shall be given purchase order and will deliver the items to the purchasing department.

Purchasing activities require proper purchasing procedures, policies, accountability and transparency to achieve organizational strategies and objectives. Therefore, there should be an assessment of purchasing practice to identify problems and take remedial measures.

1.2 Statement of the Problem

The importance of purchasing function can be easily understood, if one considers the purchased goods and services that represent from 50 to 70 percent of a company's revenues. Consequently, purchasing decisions have a potentially great impact on the firm's end product and the overall business performance (Dobler and Burt, 1996). Zejian and Weiwei (2003) stressed that those who are ignoring and undervaluing purchasing strategy contribution to its corporate and product strategy been labeled as committing an error in the aspect of business management. Now a day, the roll of purchasing has not only limited in obtaining the right material, but been extended in acquisition of product in the right quantities with the right delivery time and place, from the right source and at the right market place. Most organizations give less attention on the contribution of purchasing which traditionally viewed as clerical staff (Guinipero, 2005). Failures in to recognizing the importance of purchasing activities are caused by an organization's unable to integrate the purchasing function with its operational functions. In these cases organizations are faced with the danger of output disruptions, loss of income and, negative effects on competitiveness. Other sources of risks are related to the importance of the product or service, the time and financial costs involved and difficulties in measuring quality, lack of objective evaluation criteria, and low purchase experience (Juha, 2008).

According to Ramsey (2007), many managers in small and medium size enterprises do not regard purchasing as a key task, and some do not even perceive purchasing as a distinct activity. Van Weele, (2005), presents a few of the ways that purchasing can usually contribute to the competitive position of the company other than just through cost savings:

- Reduction of quality cost: purchasing can reduce quality costs by make sure that selected suppliers deliver a product or service that does not need extensive quality control.
- Product standardization: purchasing can contribute to lower costs by striving for a reduction in product variety by reducing the number of different components or suppliers.
- Contribution to product design and innovation: by encouraging interactions between buyers and suppliers, purchasing can contribute to the continuous innovation and improvement of products.

- Stock reduction: through imposing a solid discipline on supplier and enforce it, purchasing can minimize the need for safety stocks of components. This might include such actions as demanding a consignment stock to be held at the facility by the supplier.
- Increasing flexibility: if the company wishes to offer flexibility to its customers, it might also have to demand it from its suppliers.
- Fostering purchasing synergy: many companies have a business unit structure where the business units are fairly autonomous. In such a structure, the business unit managers are responsible for both revenue and costs, hence purchasing is usually done locally. In these cases, the purchasing officers at the different units can make significant savings by coordinating their purchasing with other units.

This study is conducted because there were complaints by users over the purchasing activity of finance and economic development office purchasing department. The problems are mainly related with; less quality items purchased which is caused by the fact that priority is given for lowest price, items purchased do not much with items requested, and because the purchasing process takes too long, delays occur in items purchased. The study helps to identify major problems and suggest potential solutions as well.

1.3 Research Questions

2. What are the steps involved in the purchasing process?
3. What are the major problems relating with purchasing practices in Addis Zemen Town Administration Finance and Economic Development Office?
4. What are the impacts of the purchasing policy and manual on efficient purchasing practice?
5. What the management is doing to assure purchasing is practiced in accordance with the 5R's principles of purchasing?

1.4 Objectives of the Study

The main objective of this study is to assess the purchasing practice of Addis Zemen Town Administration Finance and Economic Development Office.

Specific objectives of the study are:

1. Assess the purchasing performance of Addis Zemen Town Administration Finance and Economic Development Office.
2. To look out the steps involved in the purchasing process and assess their importance.
3. Assess the purchasing policy guidelines and documents of Addis Zemen Town Administration Finance and Economic Development Office.
4. Assess the criteria used to select right suppliers.
5. To identify the major problems and make necessary suggestions based on findings of the study.

1.5 Significance of the Study

Purchasing practice in public sectors is the main source of items which are important for daily activities of each sector. This research provides valuable feedback regarding purchasing practice in Addis Zemen Town Administration Finance and Economic Development Office. The paper is believed to discover and recommend mechanisms for viable and efficient purchasing, which would help to save significant amount of public resource that otherwise would be wasted. Also it enables the researcher to acquire basic experiences regarding several issues on areas of purchasing practices. In addition the study can serve as potential reference for those individuals who want to conduct further studies with the same or related areas. In general, this research will have practical application to improve the service provision of purchasing unit of the town administration, in addition to its academic purpose of filling literature gap.

1.6 Scope of the Study

The scope of the study is delimited only to Addis Zemen Town Administration, specifically, on assessing the purchasing activity of Finance and Economic Development Office. Thematically the study was expected to cover major problem areas of purchasing practices and their solutions as well. All staff members from the whole nine sectors in the town administration have been taken as a total population, from which sample is drawn using simple random sampling.

1.7 Limitations of the Study

The sample respondents are so much different in interest and exposure to conduct with purchasing. This demands extended time to distribute and gather data using questionnaire.

Absence of some respondents at their workplace during the survey period was also another challenge.

Though contemporarily the most preferred standard questionnaire, the latest five dimensional questionnaires which is contextually used for this research is known to have some limitations. The latest questionnaire lacks some specificity comparative to its predecessor ten dimensional questionnaire. There was a problem of having the required manuals and guide lines which govern the purchasing practices.

1.8 The Structure of the Report

The final paper is organized into six chapters. The first chapter presents introduction of the research including background of the study, statement of the problem with the research questions, objectives, significance, scope and limitations of the study. After this introductory chapter, the next chapter reviews the literature on which conceptual frame works and empirical evidences are provided about purchasing practice in detail.

The third chapter presents the methodology of the research including sampling method and analytical techniques together. The paper then presents the fourth chapter which discusses the result of research analysis. The fifth chapter presents the conclusions recommendations. In the sixth and seventh chapters, presents the references of literatures used and appendixes respectively.

CHAPTER TWO

LITERATURE REVIEW

Today companies are required to integrate business with other business in order to stay competitive and cut costs. The result of integrating business is a chain of companies, which can also be called a value chain. This value chain is responsible for insuring that the right material,

technology and services are purchased from the right place at the right time and quality (Zejian and Weiwei, 2003).

According to Datta (1998) since all organizations require supplies of materials and services from outside, thus, purchasing is a common function in almost all organizations. Therefore, in order to decrease the overall costs of buying materials, it requires enterprises to apply modern methods of purchasing practices.

2.1 Definition of Purchasing

Purchasing refers to a function in business where by the enterprise obtains the inputs for what it produces, as well as other goods and services it requires. Purchasing is one of the basic functions common to all types of business enterprise. These functions are basic, because no business can operate without, them (Dobler, 1984).

Several scholars provided a wide range of definitions for the term purchasing. The following paragraphs present some of the definitions given by scholars.

According to Lu (2011), purchasing is a means of obtaining materials or services of the right quality in the right quantity from right source delivery them to the right place at the right price.

Donald Walters (2003), purchasing is the function responsible for acquiring all the materials needed by an organization. Many of these transactions are not standard purchases, but include rental, leasing, contracting, exchange gifts, borrowing, and so on. This is why some people prefer to talk about the 'acquisition of materials' or the more common term of procurement. 'procurement' and 'purchasing' are often taken to mean the same thing. Usually, though, purchasing refers to the actual buying, while procurement has a broader meaning.

Purchasing is the function of buying machinery, tools, general supplies, raw materials etc. required by an organization (Nair, 1990).

2.2 Role of purchasing in business

Zejian and Weiwei (2003) the primary purchasing role is to obtain goods and services in response to internal needs. The purchasing function evolved from independent administrative activity

involved in a simple transfer of goods to efficiently realize the organization's mission and objectives. According to recent developments, the purchasing function is managed as a fundamental unit of the integrated supply chain management philosophy, known as strategic sourcing. Strategic sourcing is a cross functional process used to manage, develop and integrate supplier capabilities to achieve a competitive advantage, involving members from all functions of the organization. The purchasing function is becoming widely recognized as an important contributor to strategic success, helping meet the challenges of an increasingly competitive and dynamic environment Monczka et al, (2004).

2.3 Tasks of purchasing

Purchasing in broader terms involves determine the need, selecting the supplier, arriving at proper price, terms and conditions, issuing the contract or order, and following up to ensure proper delivery (Alijan,1975).

Major types of purchasing activities carried by a typical Purchasing Department of a given organization include:

- i. Coordination with user department to identify purchase needs
- ii. Doing traditional buying
- iii. Discussion with sales representatives
- iv. Identification of potential suppliers
- v. Conduct market studies for important materials
- vi. Negotiation with potential suppliers
- vii. Analysis of proposal
- viii. Selection of suppliers
- ix. Issuance of purchase orders
- x. Administration of purchase contracts and resolution of related problems

- xi. Maintenance of a variety of purchase records

In simple terms the basic element involves in performing the purchasing function are obtaining the proper equipment, material supplier and service in the right quality, in the right quantity, at the right price and from the right source (Alijan, 1973).

2.4 Purchasing department responsibilities

Purchasing is one of the basic functions of a given organization shouldering the following major responsibilities.

1. Provide an uninterrupted flow of materials, supplies, and services required to operate the organization.
2. Keep inventory investment and loss at a minimum
3. Maintain adequate quality standards
4. Find or develop competent vendors
5. Standardize where possible, the items bought
6. Purchases required items and service at lowest ultimate price
7. Improve the organizations competitive position.
8. Achieve harmonious, productive working relationships with other departments within the organization.
9. Accomplish the purchasing objectives at the lowest possible level of administrative costs (Leenders, 1989).

2.5 Objectives of Purchasing

The objectives of purchasing can be classified in to three levels including: general managerial level objectives, functional level objectives and detail operational level objectives (Dobler, 1996).

2.5.1 General Managerial Level Objectives

From the top managerial perspective, purchasing has the following objectives, which can be explained in terms of the 5R's of purchasing.

Right Quality; is the totality of features and characteristics of a production or service that bear on its ability to satisfy a given need (Nair, 1990).

Right Quantity; in most organization the decision of how much to purchase is more important by the close relationship of purchases quantity and schedule use. (Parson, 1982)

Right Price; the factors that affect the price of items are quality and quantity required, urgency of requirements, demand and supply of materials in the market, whether there is room for competition or not, whether the past business relationship was good or not strained (Parson, 1982).

Right Time; Delivery of the contracted item to the right place at the right time is an important procurement function. Proper buying enhances production schedules without loading warehouse with excessive inventory and also minimizes the unfavorable effects of price changes (Nair, 1990).

Right Supplier; basic information about the number and location of potential suppliers, the nature of products, prices charged and forecasts of the economic condition can be acquired if we are to analyze the supply market effectively rather than simply to buy from traditional sources which may not be competitive (Nair, 1990).

2.5.2 Functional Level Objectives

The operational (Functional) level perspective probes more deeply to develop a set of statements that provide practical and useful targets for decision-making purpose. This perspective contains eight basic objectives:

1. To support company operations with uninterrupted flow of materials and services.
2. To purchase competitively:

It involves keeping abreast of the forces of supply and demand and regulates prices and availability of materials in the market place. It also involves understanding of the suppliers cost structure and then negotiate price and service arrangement that are fair relative to the suppliers actual cost.

3. To keep inventory investment and inventory loss of at a practical minimum.

Maintaining a large inventory is one way to achieve objective one, but it is also costly, hence the supply management job is to achieve a reasonable balance between the level of inventory required to support operations and the cost of carrying the inventory.

4. To buy wisely.

Buying wisely involves a continual search for better values that yield the best combination of quality, service and price relative to buyers' need. It may also involve coordinating and reconciling user's need with supplier's capabilities, to achieve optimal values considering both issues.

5. To achieve maximum integration with the other departments of the firm.

It is essential to understand the major needs of their using departments, so that these needs can be translated in to materials support actions. The most common types of support actions are forecasting future prices and business conditions, performing economic make or buy analysis etc.

6. To handle the purchasing and supplies management function proactively in a professional, cost effective manner.

Management should expect the preceding the above objective to be achieving in a professional manner at a cost that is appropriate with their value to the organization.

7. To develop effective and reliable sources of supply.

Cooperative suppliers that are willing to work with a buyer to help solve the buying organizations problems and to minimize its materials related costs are valuable resources.

8. To develop good relationship with the supplier community and good continuing relationship with potential suppliers.

The achievement of the preceding objective on a continuing basis is possible when mutually satisfactory continuing relationships are maintained (Dobler, 1996).

2.5.3 Detail Level Objectives

At this level precise strategic buying plan are formulated. The focus is on the detailed objectives that are developed when precise buying plans are made for each of the major categories of materials the firm uses in its operation. These objectives are produced from the second level objectives and are applied to fulfill the specific needs associated with each type of purchase.

The precise set of objectives for each material typically varies because the usage requirement, the operating conditions and the markets in which each material is purchased usually are different. These objectives focus on points like quality, sourcing, pricing, production and inventory planning.

2.6 General procedure of purchasing

Procedures used in completing a total transaction normally vary among different types of purchases and in different organizations. However, purchasing procedures refers to the way in which a purchase transaction is carried through from its inception to its conclusion. A purchasing proceeding usually begins with an investigation of new suppliers can be made for renegotiating contracts with existing suppliers.

The general cycle of activities in purchasing most operating materials and suppliers is fairly standardized. The following steps constitute the typical purchasing procedures.

1. Organizing of purchase requisition: The need for a purchase typically originates in one of a firm operating departments or in its inventory control section. It is a stimulus for purchaser to initiate purchasing. The essential information which requisition should contain includes a description of the material; quantity, date required; estimated unit cost; the date; an authorized signature.

2. Verification of purchase requisition: The purchasing department verifies whether the requisition is appropriately filled or not.

3. Evaluation and selection of the supplier: As soon as the need has been established and precisely describe, the buyer begins an investigation of the market to identify potential source of supply. In the case of routine items for which supplier relationship have already been developed, little additional investing may be required to select a good source on the other hand the purchase of high-value or new item may require lengthy investigation of potential suppliers to make a decision about the most desirable supplier.

4. Preparation of purchase order: Once a supplier has been selected the purchasing department prepares and issues a serially numbered purchase order. In most cases the purchase order becomes a legal contract document. For this and other reasons the buyer in preparing and wording the order should take great care.

5. Follow up: Also called expediting, purchasing bears full responsibility for and order until the material is received and accepted. When there is a reasonable chance that the supplier may not stay on schedule important orders with critical delivery date should receive active follow-up attention. There may be a need to speed up (expedite) or even delay (de-expedite) delivery if the buyers timing requirements undergo unexpected changes.

6. Receiving and Inspection: The supplier ships materials with the packing slip, which itemizes and describes the contents of the shipments. The receiving clerk uses this packing slip in conjunction with his/her copy of the purchase order to verify that the correct material has been received.

7. Payment: The typical procedure involved is a simultaneous of the purchase order, the receiving report and the invoice. By checking the receiving report against the purchase order, the purchaser determines whether the quantity and type of material ordered was in fact received. Then by comparing the invoice with the purchase order and received.

8. Evaluating the purchasing performance: Purchasers need to evaluate whether the materials purchase from the supplier have satisfied the need of the users. This evaluation will help whether to consider the supplier next time. The specific procedures employed by each should be designed to meet the unique needs of that firm. Properly designed procedures should accomplish four objectives according to Dobler. These are:-

- i. Fulfill each task satisfactorily with minimum of time, effort and proper work.
- ii. Effectively communicate and coordinate the efforts of one work group with another.
- iii. Minimize overlapping effort and group conflicts.
- iv. Permit effective management by exception (Dobler, 1996).

2.7 Supplier Selection Criteria

The factors to be taken in to account to rate a supplier are location, technical capability, price, past performance (i.e., delivery delays, quality and percentage of rejection, reliability and cooperation (Nair, 1990).

According to Zejian and Weiwei (2003), successful sourcing is not achieved only on the basis of securing competitive bids. Buyers are not looking for the lowest prices, but for the best value on a total cost basis. Multinational corporations wish to work with suppliers who are not only capable, but also motivated to sharing their standards for enterprise and society. Companies under consideration as potential suppliers are evaluated in a process using both industrial and social criteria. The common performance criteria used to evaluate the supplier are as in the following.

2.7.1 Industrial Criteria

Cost Goal; Total purchasing cost function is expressed to be minimized, because the goal is to minimize the purchasing cost. The purchasing manager was able to give a target value for this goal. However, a reasonable target value is important to use.

Quality; because we want to maximize the quality of the product purchased from respective suppliers, the type of goal is defined as maximization, and a target value was assigned by the purchasing team.

Delivery Reliability; Delivery reliability is defined like the flexible quality goals, again, we want to maximize delivery reliability of each kind of product.

Service and Communication; Keeping good and common communication is also important for both buyer and supplier. It will help for knowing and monitoring the supplier performance.

Management Philosophy; A management philosophy of supplier can help you to know the future strategy and their long-term and short-term target.

2.7.2 Social and Environmental Criteria

The time is changing, the business role is changing, customers and co-workers expect more from companies. They expect them also to take an active role in influencing social and environmental issues whether they are present.

Legal and Moral Roles; the basic criteria are that suppliers must follow national laws and international conventions. Other rules, for example, the Declaration of Human Rights, the ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work, and the Rio Declaration on sustainable Development, etc. are also important.

Society Requirements; social work is good for business because customers will feel reassured that they are doing business with a company that shares their views and values. It can also support cost efficiency. Using resources and raw material efficiently, saving energy, improving working conditions at suppliers and through that getting more motivating people, will have a positive effect on costs and therefore support their business objectives. Being successful with social work will take clear goals, strategies, time plans and responsibilities. And above all, it takes a vision to create a better life for many people.

Environmental Criteria; due to the increase realization of the importance of integrating environmental factors in to assessing supplier's performance, environmental issues will become

an important factor for a company to consider. There was no coordinated response to dealing with the environment and each of the companies had used a different approach. Environmental categories and criteria are viewed as important to consider during the green supplier selection process. It will benefit the company to enhance the competitive position in the supply position by integrating environmental factors in to the supplier selection process.

2.8 Evaluation of Purchasing Performance

Blomberg (2006), state that a suitable way to govern purchasing is through target setting and measuring. They state that this could be done through Key Performance Indicators (KPIs). The authors divide the KPIs in to seven categories: price related KPIs, quality related KPIs, delivery related KPIs, inventory related KPIs, saving related KPIs and activity related KPIs. Purchasing performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weakness and decides on future initiatives with the goal of how to initiate performance improvements. This means that purchasing performance is not an end in itself but a means to effective control and monitoring of the purchasing function

According to Nair (1990), efficiency the purchasing section can be judged on the following basis:

- ✓ Number of process employed
- ✓ Whether the work has been properly distributed and whether the staff has a broad program of work
- ✓ Number of items and orders handled, where multi-item orders are in use, orders alone will not give a correct indication as the work depends to great extent up on the number of items.
- ✓ Time taken ordinarily to process a purchase requisition.
- ✓ Whether materials of correct quality are being purchased and incidence of rejection.

- ✓ Types of suppliers with whom purchase section deals with and the after sale service and emergency assistance received from them.
- ✓ Increase or decrease in price as compared to standard, previous or market of price principal materials.
- ✓ Percentage of increases in material cost of each product from year to year.
- ✓ Extent to which purchasing research such as standardization, value analysis, price reduction, is conducted and savings effected.
- ✓ Number of value of over-due orders.
- ✓ Proportion of purchasing department operating cost to value of total purchase.
- ✓ Whether disposal or surplus and scrap is being effected promptly.
- ✓ Degree of cooperation given to and received from other departments.

2.9 Purchasing policy

Policy is statement that describes in very general terms an intended course of action. The authors' states that the fundamentals of an activity are established, policies are developed to serve as a general guideline in making operating decisions that channel actions toward achievement of the objectives (Dobler and Burt, 1996).

If policies are to function effectively, it is imperative that they be placed in written form. A purchasing policy manual typically has two distinct sections, one containing company policies which spells out in unmistakable terms the responsibility and authority at all departments, and the other containing department policies which inform personnel of the expected patterns of conduct for major buying activities and for relations with suppliers. The purchasing policies should be clearly communicated to the staff and other stakeholders. Medias for communicating this information to the company employee can be published regulation, Company informational booklet and departmental manuals (Alijan, 1973).

Purchasing policy places the authority and responsibility for purchasing in the purchasing department. Every transaction between a buyer and seller involving the transfer of property is a contract. From the beginning to the completion of a transaction between a buyer and seller many problems are involved and the proper handling of these and the administering of the business' features connected with the more vital factors in the successful operation of the company. For these reasons, the authority and responsibility of purchasing rests with the purchasing department.

The purchasing department is responsible to establish and administer purchasing policies, institute reports necessary to permit analysis of purchasing performance, negotiate and approve term contracts, analyze prices, paid for materials and generally define how to obtain savings and to co-ordinate purchasing procedures (Westing, 1985).

2.10 Theoretical Framework

The general model of this research is designed based on previous works, existing theoretical aspects and existing situation. The standard statement of the overall objectives of the purchasing function is that it should obtain the right materials in the right quantity, for delivery at the right time and place, from the right source with the right service (after and before sale) and the right price (Leenders, 1989).

I-Right quality- quality is defined as simply 'fitness for purpose' or the British standard institution defines "the totality of features and characteristics of a product or service that bear on its ability to satisfy a given need" (Nair, 1990).

In meeting, this objective purchasing must select items, which have sufficiently quality to fit user's requirements and specifications. The term quality as used in the field of purchasing carries quite a different meaning than the meaning that we usually associated with this word. In common usage, it refers to the excellent features of the subject, "The right quality is the suitability of an item for a given purpose"(Nair, 1990).

II. Right quantity-The right quantity is more relevant to the purchase of consumables or parts or assemblies for manufacturing than for project buying. Fulfilling these objectives will enable to provide a continuous and uninterrupted material at the minimum cost. In most organizations the

decision of how much to purchase is more important by the close relationship of purchases quantity and schedule use. (Parson, 1982)

The decision of how much to acquire follows clarification of what is acquired. Therefore before making decision considering factors that complicate that quantity decisions are essential, including:

- The larger the quantity is the lower the unit price.
- The larger the quantity the higher the storage costs
- The larger the quantity is the higher the risk of damage.
- The larger the quantity the higher the cost of items in storage
- The larger the quantity the fewer orders that will be place and hence the lower the ordering cost.

III. *Right price* – A traditional purchasing objective is to obtain the lowest possible purchase price. However, the common practice is to obtain the best life cycle price or the lowest total acquisition cost. The factors that affect the price of items are quality and quantity required, urgency of requirements, demand and supply of materials in the market, whether there is room for competition or not, whether the past business relationship was good or not strained (Parson, 1982).

IV. *Right time*- The delivery of the contracted item to the right place at the right time is an important procurement function. Proper buying enhances production schedules without loading warehouse with excessive inventory and also minimizes the unfavorable effects of price changes. In case of regularly used or procuring items, right time may mean the time when the stock reaches the minimum level adhering the responsibility shared both by the purchasing unit, and the approving body (Nair, 1990).

V. *Right supplier*- The right source is fundamental component or the major purchasing objectives. Basic information about the number and location of potential suppliers, the nature of products, prices charged and forecasts of the economic condition can be acquired if we are to

analyze the supply market effectively rather than simply to buy from traditional sources which may not be competitive (Nair, 1990).

But there are problems faced by the purchasing units emending securing right and permanent source of supply. The first problem is identifying potential source of supply, then selecting the right reliable supplier is also challenging. The most difficult challenge is to secure long-term relationship with the right supplier because of the dynamic nature of the business environment and continuous attempt of businesses to make better profit relationship with the right suppliers might not last long. Hence periodic revision of the status of the relationship and making the necessary amendments in agreements is required.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Organization Background

Addis Zemen Town Administration Finance and Economic Development office is one of the offices under Addis Zemen Town Administration of Amhara National Regional State (ANRS) in The Federal Democratic Republic of Ethiopia (FDRE) with a mission to enhance maximum development of the town.

The office is working diligently with a vision to bring an integrated and sustainable development and to see the town where poverty is eradicated through self-reliance on own resources, and establishing effective and efficient system.

The mission of the office is to enhance maximum development of the town through generating policy ideas based on reliable data and research undertakings; setting development priorities of the town administration, and preparing development plans and monitoring its implementation; creating reliable development finance through continuously broadening the tax base, and ensuring equitable resource allocation and cost effective utilization.

The practical rationales for selecting Addis Zemen Town Administration as a research site is: Researcher's familiarity with the activities of the town administration Finance and Economic Development Office and better accessibility of the area so as to complete the thesis on time. As per the researcher information, no study has been conducted in the town administration before regarding to assessment of purchasing practice.

3.2 Data Source

Since the aim of this research is to assess the purchasing activity of finance and economic development office by using both primary and secondary data sources, mixed research approach is employed. Primary data is collected using questionnaire and interview. Secondary data

obtained from the office is the other data source. Particularly procurement guidelines, manuals, purchasing requisitions and related documents have been used.

3.3 The Questionnaire

Questionnaires which are semi-structured (closed and open ended) questions are prepared and administered to collect a wide range of data from each employees in each public sector. The questions are translated in to local language to be easily understood by respondents. The questions are mainly concerned with which functions of purchasing are practiced well and which are not, and the major problems of purchasing practices and the reason for the existence of these problems.

3.4 Sampling Technique

The degree of precision desired, methods of analysis, objectives of the research, cost, time, etc. determine the type of sampling design to be adopted John (2003). With purposive sampling, Head of Finance and Economic Development Office and two employees from Finance and Economic Development Office Purchasing Department who are responsible for the overall purchasing activities of the town administration are selected. Purposive sampling is selected because it is the best method among others to select those who have knowledge and better understanding of the purchasing activities because of their position in the office.

According to Samy (2005), purposive sample includes subjects selected on the basis of specific characteristic or qualities and eliminates those who fail to meet these criteria. Purposive sampling is the best way to elicit the views of persons who have specific expertise and survey.

Stratified random sampling was applied to select sample projects. The sampling universe is the whole 9 offices of the town administration. Since the size, number of staff and other peculiar characteristics of the offices vary, it is important to have a sample that represents all the peculiarity of the entire offices by handling the diversity among them. In this regard a stratified random sampling is preferable so as to tackle problems of unlucky missing of minorities. In such a case, offices within a given strata is relatively homogeneous hence one could represent the other.

Then, from each public sector, employees and leaders are selected by means of simple random sampling technique, and questionnaire is distributed for the selected ones. Simple random sampling technique is selected since all employees are participants in purchase requests and in using the items purchased, and because it is the best way to give all employees equal chance of being selected.

Thus, from the total population of 206 employees who are working in nine public offices in the town administration, sample size is determined by using the following formula. Different authors use different types of sample determination formulas at any time, but for the purpose of this study, the researcher used a formula set by Yemane (1967), as follows:

$$n = \frac{N}{1 + N(e)^2}$$

N= total population (206)

n= desired sample size (?)

e= precision level valid for 95% confidence level (0.05)

$$n = \frac{206}{1 + 206(0.05)^2}$$

$$n = \frac{206}{1.69}$$

$$n = 136$$

The researcher believe that with the 95% level of confidence and 5% margin of error, 136 employees are represented in the population. In addition, Head of Finance and Economic Development Office and two employees who are working in Finance and Economic Development Office Purchasing Department are used as a key informant. Therefore, the total sample size of the study is, $n = 136 + 3 = 139$.

Table 3-1 Distribution of Samples

No	Sampling Frame	Number of population			Sample Size	Data collection techniques
		Male	Female	Total		
1	Head of Finance and Economic Development Office	1	-	1	1	Interview
	Employees of Finance and Economic Development Office Purchasing Department	1	1	2	2	Interview
3	Total Employee's of the Town Administration	120	86	206	136	Questionnaire
Total		122	87	209	125	
		Sample Distribution for Each sector				
1	Finance and economic development office	9	7	16	11	Questionnaire
2	Mayor office	5	6	11	7	Questionnaire
3	Municipality office	25	15	40	26	Questionnaire
4	Small and micro enterprise office	17	13	30	20	Questionnaire
5	Trade and transport office	15	10	25	16	Questionnaire
6	Council office	2	3	5	3	Questionnaire
7	Civil Service office	8	5	13	9	Questionnaire
8	Tax and custom office	13	8	21	14	Questionnaire
9	Police office	26	19	45	30	Questionnaire
Total		120	86	206	136	

3.5 Interview

Interview questions were prepared to gather primary data. Key informants were interviewed by the researcher particularly using a semi-structured interview schedule; by preparing guide to the specific questions during the interview. Two types of interviews were prepared; the first interview was held with Head of Finance and Economic Development Office and the second type of interview conducted with two employees who are working in Finance and Economic Development Office Purchasing Department, they are responsible for the overall purchasing activities of the town administration.

3.6 The Secondary Data

Besides questionnaire and interview, document analysis also used as data collection tool to gather secondary data from Addis Zemen Town Administration Finance and Economic Development Office. Secondary data sources like procurement guidelines, manuals and purchasing requisitions have been used.

3.7 Definition of Concepts

Purchasing: is the activity of acquiring goods or services to accomplish the goals of an organization. <http://www.businessdictionary.com/definition/purchasing.html>)

Supplier: a party that supplies goods or services.
<http://www.businessdictionary.com/definition/supplier.html>)

Goods: an inherently useful and relatively scarce tangible item produced from agricultural, construction manufacturing, or mining activities.
<http://www.businessdictionary.com/definition/goods.html>)

Services: intangible products such as accounting, banking, cleaning, consultancy, education, insurance, expertise, medical treatment, or transportation.
<http://www.businessdictionary.com/definition/services.html>)

Purchase Requisition: document generated by a user department or storeroom-personnel to notify the purchasing department of items it needs to order, their quantity, and the time frame. It <http://www.businessdictionary.com/definition/purchase-requisition.html>)

3.8 Method of Analysis

Data analysis is the process of interpreting data that are gathered from the field. Data and information has been made available through various instruments and analyzed through qualitative means by narrating, content analysis and quantitatively using descriptive statistics.

3.8.1 Qualitative analysis

Analyzing the purchasing practice and procedures as well as make necessary suggestions based on findings of the study needs some type of qualitative analysis by narration. Thus, the data from document analysis, key informant interview and questionnaire was analyzed.

3.8.2 Descriptive Analysis

The descriptive statistical results are presented by tables, frequency distributions and percentages to give a condensed picture of the data. The latest version of Statistical Package for Social Science (SPSS 20.0) software was employed to analyze and present the data through the statistical tools used for this study.

3.9 Reliability of the Questionnaire

Cronbach's coefficient alpha is used to measure the reliability of each item of the questionnaire. The normal range of Cronbach's coefficient alpha value between 0.0 and + 1.0, and the higher values reflects a higher degree of internal consistency.

Cronbach's alpha coefficients were calculated to estimate the reliability of the questionnaire, instruments of this research. Literature revealed coefficients less than 0.6 are considered poor, coefficients greater than 0.6 but less than 0.8 are considered acceptable and coefficients greater than 0.8 are considered good (Sekaran, 2000).

The Cronbach's coefficient alpha was calculated for each dimension of the 5R'S. The average Cronbach's alpha reliability coefficient for the 5'R instrument is 0.736. Therefore, the reliability of the questionnaire as a whole was reasonably acceptable hence the instrument used is a reliable measure of 5R'S. The results of Cronbach's coefficient alpha reliability test are given in the following table.

Table 3-2 Cronbach's Coefficient Alpha Coefficient of 5R'S

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
.740	.775	5

3.10 Response Rate

For this research 136 questionnaires were distributing, to 9/nine/ public sector employees were give responses to the distributed questionnaire in Addis Zemen town administration and Head of Finance and Economic Development Office and two employees who are working in Finance and Economic Development Office Purchasing Department are used as a key informant. In each sector questionnaire allotment where by the following manner by means of simple random sampling method by considering the number of employee's in each sector. Thus, Finance and Economic Development office 11 questionnaires, Mayor office 7 questionnaires, Municipality office 26 questionnaires, Micro and Small Scale Enterprise office 20 questionnaires, Trade and Transport office 16 questionnaires, Council office 3 questionnaires, Civil Service office 9 questionnaires, Tax and Custom office 14 questionnaires and Police office 30 questionnaires were dispatched. from these 123 questionnaires were collected or returned with the necessary information to the researcher which accounts 90.4% except questionnaires in Finance and Economic Development office 2 questionnaires, Mayor office 1, Municipality office 2 questionnaires, Micro and Small Scale Enterprise office 2 questionnaires, Trade and Transport office 1 questionnaires, Tax and Custom office 2 questionnaires and Police office 3 questionnaires so the missing value of the response were only 9.6%.

CHAPTER FOUR

RESULTS AND DISCUSSION

In this chapter the result of the data analysis are discussed. In the first section of this chapter, descriptive statistics of the primary and secondary data on the issues of characteristics of performance purchasing practice of the town administration purchasing unit are presented, and the result of the assessment is also explained in detail.

4.1 Results of Descriptive Statistics

4.1.1 Respondent Profile

Respondent characteristic answers the question is like, who are involved in the study, what is their composition looks like, what is their educational status, age, sex and similar information that helps the reader to develop confidence on the respondent's response. The respondent characteristics are providing in this section to enable readers to have pictures of the participants of the study.

4.1.2 Socio-Demographic Features of the Respondents

This part presents the demographic features which are sex, age and educational status of the respondents. As tables 4.1 shown us, majority, 73.2% of respondents were male, while the rest were their counter sex. With regards to the age of the respondents, 58.5% of the respondents were under the age category of 18-30, while the remaining 22.0% and 12.2% of them were under the age category of 31-40 and 41-50 respectively. Only the small number 7.3% of the respondents was above 51 ages. From this we can understand that most of employees of the town administration have highly energetic and productive man power as the age of the respondent indicates.

In our country Ethiopia, illiteracy is come to its end especially in the public sector like the study area through different mechanisms like by designing participatory education policy that helps to

addressed access to education to all. In this regard table 4.1 shown us, majority, 65.9% of the respondents were Degree holders in the town administration and 31.7% of them were Diploma holder, while the rest of the respondents were had Master's Degree which accounts 2.4%.

Table 4-1 Study's Socio-Demographic Data

Sex of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	75	61.0	61.0	61.0
	female	48	39.0	39.0	100.0
	Total	123	100.0	100.0	
Age of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	72	58.5	58.5	58.5
	31-40	27	22.0	22.0	80.5
	41-50	15	12.2	12.2	92.7
	> 50	9	7.3	7.3	100.0
	Total	123	100.0	100.0	
Educational status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	39	31.7	31.7	31.7
	Degree	81	65.9	65.9	97.6
	Master and above	3	2.4	2.4	100.0
	Total	123	100.0	100.0	

Source: Field Work, 2015

4.2 Opinions of respondents on purchasing practice

The other criterion to prove how much the respondents are familiar with purchasing practice is their own experience with purchasing. In this regard, 90.24% of the respondents are familiar with purchasing practice. Table 4.2 reveals that all of Finance and Economic Development office, Micro and Small Scale Enterprise office, Council office, Civil Service office and Tax and

Custom office respondents are familiar with purchasing practice. The other sector respondents are a minimum of half familiarity with the practice. Therefore, the majority of the respondents are familiar and have experience in purchasing activities and able to give accurate information.

Table 4-2: Making Purchase request

Do you make purchase request						
		Do you make purchase request				
		Yes	Percentage	No	Percentage	Total
Public sector representation	Fin and Eco Dev office	9	100.00%	0	0.00%	9
	Mayor office	3	50.00%	3	50.00%	6
	Municipality office	21	87.50%	3	12.50%	24
	Mic. and Small Enter office	18	100.00%	0	0.00%	18
	Trade office	15	100.00%	0	0.00%	15
	Council office	3	100.00%	0	0.00%	3
	Civil Service office	9	100.00%	0	0.00%	9
	Tax & Custom Office	12	100.00%	0	0.00%	12
	Police office	21	77.78%	6	22.22%	27
Total		111	90.24%	12	9.76%	123

On the other hand, the majority of the respondents (63.2%) have experience to purchase request at least twice a year. 28.9% of the respondents have an experience of purchasing at least once in a quarter. Table 4.3 shows that Trade office and Micro and small enterprises office respondents are the major customers of purchasing activity in which 20% and 16.7% of their employees are participated in the practice at least once in a month. In contrary, 12.5% of respondents from Police office are experienced to take purchasing activity at least once in a year which is the least experience within the group.

Moreover, the data obtained from the interview implies that the purchasing staff receive an average of 2 purchasing requisitions per week. Thus, the purchasing staff would not be very

busy by large and frequent requests. As discussed in the literature of this paper, efficiency of the purchasing section can be judged on the number of process employed, number of items and orders handled. Therefore, this also shows that purchasing staff of the town administration are not efficient in purchase requisition processing.

Table 4-3 how often do you fill purchase requisition

How often do you fill purchase requisition							Total
			At least once in a month	At least once in a quarter	At least twice a year	Once in a year	
Public sector representation	Fin and Eco Dev office	Frequency	0	0	9	0	9
		%	0.0%	0.0%	100.0%	0.0%	100.0%
	Mayor office	Frequency	0	0	3	0	3
		%	0.0%	0.0%	100.0%	0.0%	100.0%
	Municipality office	Frequency	0	6	15	0	21
		%	0.0%	28.6%	71.4%	0.0%	100.0%
	Mic. and Small Enter office	Frequency	3	0	15	0	18
		%	16.7%	0.0%	83.3%	0.0%	100.0%
	Trade office	Frequency	3	6	6	0	15
		%	20.0%	40.0%	40.0%	0.0%	100.0%
	Council office	Frequency	0	0	3	0	3
		%	0.0%	0.0%	100.0%	0.0%	100.0%
	Civil Service	Frequency	0	3	6	0	9
		%	0.0%	33.3%	66.7%	0.0%	100.0%
	Tax & Custom Office	Frequency	0	12	0	0	12
		%	0.0%	100.0%	0.0%	0.0%	100.0%
	Police office	Frequency	0	6	15	3	24
		%	0.0%	25.0%	62.5%	12.5%	100.0%
Total		Frequency	6	33	72	3	114
		%	5.3%	28.9%	63.2%	2.6%	100.0%

The other opinion that the respondents were responded about purchasing is the instances which the requested items were not purchased at all. Table 4.3 shows the majority of the Finance and Economic Development office, Civil service office and Trade office staff reported that the items requested were not purchased at all which constitutes 66.7%, 66.77% and 60% respectively. While, all of Mayor and Council office staff members, were not faced with the incidence of item requested never purchased at all.

Table 4-4 were there instances that the items you requested never purchased

Were there instances that the items you requested never purchased					Total
		Yes	No		
Public sector representation	Fin and Eco Dev office	Frequency	6	3	9
		%	66.7%	33.3%	100.0%
	Mayor office	Frequency	0	6	6
		%	0.0%	100.0%	100.0%
	Municipality office	Frequency	12	12	24
		%	50.0%	50.0%	100.0%
	Mic. and Small Enter office	Frequency	9	9	18
		%	50.0%	50.0%	100.0%
	Trade office	Frequency	9	6	15
		%	60.0%	40.0%	100.0%
	Council office	Frequency	0	3	3
		%	0.0%	100.0%	100.0%
	Civil Service	Frequency	6	3	9
		%	66.7%	33.3%	100.0%
	Tax & Custom Office	Frequency	6	6	12
		%	50.0%	50.0%	100.0%
	Police office	Frequency	12	15	27
		%	44.4%	55.6%	100.0%
Total		Count	60	63	123
		%	48.8%	51.2%	100.0%

According to the data obtained from open ended question, some of the reasons why items were not purchased at all is due to Supplier problem (i.e. suppliers defaulting as per their agreement with the performer) lack of well trained and experienced purchasing unit, supplier selection problem, carelessness of the purchasing unit and price fluctuation. On the other hand, the respondents reported that items are purchased as a sample and returned back to the supplier due to less quality. Moreover, the data obtained from the interview shows that, there were some instances that requested items never purchased at all due to the supplier problem. Therefore, all indicates that there are problems in acquiring requested items for the sectors.

Table 4-5 Are there instances that the purchasing unit purchased items for you, which are different from your request

Are there instances that the purchasing unit purchased items for you, which are different from your request					Total
			yes	no	
Public sector representation	Fin and Eco Dev office	Frequency	9	0	9
		%	100.0%	0.0%	100.0%
	Mayor office	Frequency	0	6	6
		%	0.0%	100.0%	100.0%
	Municipality office	Frequency	15	9	24
		%	62.5%	37.5%	100.0%
	Mic. and Small Enter office	Frequency	12	6	18
		%	66.7%	33.3%	100.0%
	Trade office	Frequency	12	3	15
		%	80.0%	20.0%	100.0%
	Council office	Frequency	3	0	3
		%	100.0%	0.0%	100.0%
	Civil Service	Frequency	9	0	9
		%	100.0%	0.0%	100.0%
	Tax & Custom Office	Frequency	12	0	12
		%	100.0%	0.0%	100.0%
	Police office	Frequency	24	3	27
		%	88.9%	11.1%	100.0%
Total		Frequency	96	27	123
		%	78.0%	22.0%	100.0%

The above table 4.4 shows that all of respondents from Finance and Economic development office, Council office, Civil Service and Tax & Custom Office staffs reported that there are instances that the purchased items are different from the request. In contrary, respondents from Mayor Office reported that there is no difference between the requested and purchased items. On average 78% of the respondents reported that there are instances that the purchased items are different from the request.

Respondents also were asked about the reasons why the requested and purchased items are different. The result shows 42.9% of the respondents replied that is due to purchaser's lack of knowledge to identify the item.

As the data obtained from document analysis shows that the format of the purchase requisition forms is not standard it has not the necessary information, and is already fixed on type of the item (description), quantity, estimated price and measure. Due date (delivery date required by user) is not included in the purchase request form. Purchases are made repeatedly previously purchase items by referring the past purchase documents. Thus, the purchaser may not know when the requested item is purchased and needed by users.

Therefore, based on this data, it is possible to say the main reason for the purchased items mismatch is due to purchasers luck of knowledge to identify the requested item and unavailability of standard purchase requisition form.

4.3 Rating Purchasing performance in terms of 5R's Purchasing Principle

From the top managerial perspective, purchasing has the five objectives, which can be explained in terms of the 5R's of purchasing. From this perspective the respondents were answered questions in the following manner.

Table 4.5 revealed that only 12.5% of Municipality office and 16.7% of Micro and Small Enterprise office respondents replied the purchasing unit always purchases the right quality. In the contrast, all of Civil service and Tax & Custom Office respondents replied the purchasing unit rarely purchases the right quality. In general, 4.9% of the respondents reported the purchasing unit always purchases the right quality. Meanwhile, 26.8% and 68.3% of the staff members replied that it purchases the right quality Most of the time and rarely respectively.

Table 4-6 it purchases the right quality

It purchases the right quality						Total
			Always	Most of the time	Rarely	
Public sector representation	Fin and Eco Dev office	Frequency	0	3	6	9
		%	0.0%	33.3%	66.7%	100.0%
	Mayor office	Frequency	0	3	3	6
		%	0.0%	50.0%	50.0%	100.0%
	Municipality office	Frequency	3	6	15	24
		%	12.5%	25.0%	62.5%	100.0%
	Mic. and Small Enterprise office	Frequency	3	6	9	18
		%	16.7%	33.3%	50.0%	100.0%
	Trade office	Frequency	0	3	12	15
		%	0.0%	20.0%	80.0%	100.0%
	Council office	Frequency	0	3	0	3
		%	0.0%	100.0%	0.0%	100.0%
	Civil Service	Frequency	0	0	9	9
		%	0.0%	0.0%	100.0%	100.0%
	Tax & Custom Office	Frequency	0	0	12	12
		%	0.0%	0.0%	100.0%	100.0%
	Police office	Frequency	0	9	18	27
		%	0.0%	33.3%	66.7%	100.0%
Total		Frequency	6	33	84	123
		%	4.9%	26.8%	68.3%	100.0%

According to the interview the purchasing unit customers are frequently complained formally and informally due to the less quality of purchased items and most of the items were returned back to the supplier. Thus, the majority of users are dissatisfied due to low quality purchased items.

Table 4.6 shows that only half of Mayor Office respondents replied the purchasing unit always purchases the right quantity. In the contrast, all of Finance and Economic Development Office respondents replied the purchasing unit rarely purchases the right Quantity. In general, 14.6% of the respondents reported the purchasing unit always purchases the right Quantity. Meanwhile, 36.6% and 48.8% of the staff members replied the purchasing unit purchases the

right quantity Most of the time and rarely respectively.

Table 4-7 it purchases the right quantity

It purchases the right quantity					Total	
			Always	Most of the time		Rarely
Public sector representation	Fin and Eco Dev office	Frequency	0	0	9	9
		%	0.0%	0.0%	100.0%	100.0%
	Mayor office	Frequency	3	0	3	6
		%	50.0%	0.0%	50.0%	100.0%
	Municipality office	Frequency	6	6	12	24
		%	25.0%	25.0%	50.0%	100.0%
	Mic. and Small Enterprise office	Frequency	3	12	3	18
		%	16.7%	66.7%	16.7%	100.0%
	Trade office	Frequency	3	6	6	15
		%	20.0%	40.0%	40.0%	100.0%
	Council office	Frequency	0	3	0	3
		%	0.0%	100.0%	0.0%	100.0%
	Civil Service	Frequency	0	6	3	9
		%	0.0%	66.7%	33.3%	100.0%
	Tax & Custom Office	Frequency	3	3	6	12
		%	25.0%	25.0%	50.0%	100.0%
	Police office	Frequency	0	9	18	27
		%	0.0%	33.3%	66.7%	100.0%
Total		Frequency	18	45	60	123
		%	14.6%	36.6%	48.8%	100.0%

According to the data obtained from interview shows that users are complained the problem of right quantity items. Thus, it is possible to say that the majority of users are dissatisfied due to the problem of purchased quantity items.

As table 4.8 shows 33.3% of Micro and Small Enterprise office 25% of Municipality office respondents revealed that the purchasing unit is never purchase from the right source. Whereas, 75% of Tax & Custom Office and 60% of Trade office respondents replied the purchasing unit is rarely purchase from the right source. Also, only half of Micro and Small Enterprise office staff members reported that the purchasing unit is most of the time purchase from the right source. And all of the council office respondents revealed that the purchasing unit is always purchase from the right source.

Table 4-8 It purchases from the right source

It purchases from the right source							Total
			Always	Most of the time	Rarely	Never	
Public sector representation	Fin and Eco Dev office	Frequency	6	0	3	0	9
		%	66.7%	0.0%	33.3%	0.0%	100.0%
	Mayor office	Frequency	3	3	0	0	6
		%	50.0%	50.0%	0.0%	0.0%	100.0%
	Municipality office	Frequency	6	3	9	6	24
		%	25.0%	12.5%	37.5%	25.0%	100.0%
	Mic. and Small Enterprise office	Frequency	0	9	3	6	18
		%	0.0%	50.0%	16.7%	33.3%	100.0%
	Trade office	Frequency	0	3	9	3	15
		%	0.0%	20.0%	60.0%	20.0%	100.0%
	Council office	Frequency	3	0	0	0	3
		%	100.0%	0.0%	0.0%	0.0%	100.0%
	Civil Service	Frequency	3	3	3	0	9
		%	33.3%	33.3%	33.3%	0.0%	100.0%
	Tax & Custom Office	Frequency	0	3	9	0	12
		%	0.0%	25.0%	75.0%	0.0%	100.0%
	Police office	Frequency	9	6	12	0	27
		%	33.3%	22.2%	44.4%	0.0%	100.0%
Total		Frequency	30	30	48	15	123
		%	24.4%	24.4%	39.0%	12.2%	100.0%

As discussed in the literature part of this study, the performance of purchasing staff can be judged on the types of suppliers with whom purchase section deals and the after sale service and emergency assistance received from them.

Moreover, according to the data obtained from interviewees, in order to get right sources, the purchasing unit of the office evaluates the suppliers based on two criteria:

1. Technical analysis: without any price, suppliers are requested to set forth in their proposal, the technical details describing how they would produce the required material or service. Suppliers whose technical proposal > 70% is satisfactory and accepted.
2. Price analysis: compete on price basis for those technically accepted suppliers finally an award is based on the lower price.

As discussed in chapter two, the factors to be taken in to account to rate a supplier are location, technical capability, price, past performance, (i.e., delivery delays, quality and percentage of rejection, reliability and cooperation (Nair, 1990).

According to Zejian and Weiwei (2003), successful sourcing is not achieved only on the basis of sourcing competitive bids. Buyers are not looking for the lowest prices, but for the best value on a total cost basis.

As table 4.9 shows only 33.3% of Finance and Economic Development Office and 22.2% of police staff members reported that the purchasing unit is always purchase at the right price. All of respondents from council office also reported that the purchasing unit is most of the time purchase at the right price. Also, only 40% of Trade office respondents revealed that the purchasing unit is never purchase at the right price.

Table 4-9 it purchases for right price

It purchases for right price							Total
			Always	Most of the time	Rarely	Never	
Public sector representation	Fin and Eco Dev office	Frequency	3	3	3	0	9
		%	33.3%	33.3%	33.3%	0.0%	100.0%
	Mayor office	Frequency	0	3	3	0	6
		%	0.0%	50.0%	50.0%	0.0%	100.0%
	Municipality office	Frequency	3	9	12	0	24
		%	12.5%	37.5%	50.0%	0.0%	100.0%
	Mic. and Small Enterprise office	Frequency	3	9	3	3	18
		%	16.7%	50.0%	16.7%	16.7%	100.0%
	Trade office	Frequency	0	3	6	6	15
		%	0.0%	20.0%	40.0%	40.0%	100.0%
	Council office	Frequency	0	3	0	0	3
		%	0.0%	100.0%	0.0%	0.0%	100.0%
	Civil Service	Frequency	0	0	9	0	9
		%	0.0%	0.0%	100.0%	0.0%	100.0%
	Tax & Custom Office	Frequency	0	3	9	0	12
		%	0.0%	25.0%	75.0%	0.0%	100.0%
	Police office	Frequency	6	3	18	0	27
		%	22.2%	11.1%	66.7%	0.0%	100.0%
Total		Frequency	15	36	63	9	123
		%	12.2%	29.3%	51.2%	7.3%	100.0%

According to the data obtained from the interview, “Purchasing should be made based on the five principles. But the town administration would give emphasis to for the low price, not the right price”. In addition, customers may get information about the right price of the item purchased from the market and can easily compare it. Thus, most of the respondents are rarely satisfied with the purchased the item.

Table 4.10 shows that all of respondents from Trade office, Civil Service office and Tax & Custom Office revealed that the purchasing unit is rarely delivers purchase at the right time. In addition, only 25% of Municipality office and 16.7% of respondents from Micro and Small Enterprise office reported that the purchasing unit is always delivers purchase at the right time. In general, only 7.3%of respondents reported that the purchasing unit is always delivers purchase at the right time. And 70.7% of the respondents revealed that the purchasing unit is never delivers purchase at the right time.

Table 4-10 it purchases at right time

It purchases at right time						Total
			Always	Most of the time	Rarely	
Public sector representation	Fin and Eco Dev office	Frequency	0	6	3	9
		%	0.0%	66.7%	33.3%	100.0%
	Mayor office	Frequency	0	6	0	6
		%	0.0%	100.0%	0.0%	100.0%
	Municipality office	Frequency	6	0	18	24
		%	25.0%	0.0%	75.0%	100.0%
	Mic. and Small Enterprise office	Frequency	3	3	12	18
		%	16.7%	16.7%	66.7%	100.0%
	Trade office	Frequency	0	0	15	15
		%	0.0%	0.0%	100.0%	100.0%
	Council office	Frequency	0	3	0	3
		%	0.0%	100.0%	0.0%	100.0%
	Civil Service	Frequency	0	0	9	9
		%	0.0%	0.0%	100.0%	100.0%
	Tax & Custom Office	Frequency	0	0	12	12
		%	0.0%	0.0%	100.0%	100.0%
	Police office	Frequency	0	9	18	27
		%	0.0%	33.3%	66.7%	100.0%
Total		Frequency	9	27	87	123
		%	7.3%	22.0%	70.7%	100.0%

In addition, according to the data obtained from the interview with the purchasing unit members, most of the time, ordered items are not delivered at the right time due to the failure of the contracts with the suppliers. Thus, delivering the items on the right time is not satisfactory at all.

Moreover table 4.11 shows that only 66.7% of Finance and Economic Development Office respondents Right quality is doing well by the purchasing unit. On the other hand, all of Mayor and Council office respondents reported that Right quantity is doing well by the purchasing unit. In contrast, only 11.1% of Police office respondents reported that Right price is doing well by the

purchasing unit. 66.7% of Civil Service respondents revealed that the purchasing unit doing well by purchasing from right source. Only 12.5% of Municipality office respondents reported that Right time is doing well by the purchasing unit. In general, 63.4% of the respondents reported that Right quantity is doing well by the purchasing unit. The rest 26.8%, 4.9%, 2.4% and 2.4% respondents revealed that the purchasing unit is doing well on Right source, Right quality, Right price and Right time.

Table 4-11 in which area do you think the purchasing function doing well

In which area do you think the purchasing function doing well								Total
			Right quality	Right quantity	Right price	Right source	Right time	
Public sector representation	Fin and Eco Dev office	Frequency	6	3	0	0	0	9
		%	66.7%	33.3%	0.0%	0.0%	0.0%	100.0%
	Mayor office	Frequency	0	6	0	0	0	6
		%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
	Municipality office	Frequency	0	9	0	12	3	24
		%	0.0%	37.5%	0.0%	50.0%	12.5%	100.0%
	Mic. and Small Enter office	Frequency	0	12	0	6	0	18
		%	0.0%	66.7%	0.0%	33.3%	0.0%	100.0%
	Trade office	Frequency	0	12	0	3	0	15
		%	0.0%	80.0%	0.0%	20.0%	0.0%	100.0%
	Council office	Frequency	0	3	0	0	0	3
		%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
	Civil Service	Frequency	0	3	0	6	0	9
		%	0.0%	33.3%	0.0%	66.7%	0.0%	100.0%
	Tax & Custom Office	Frequency	0	9	0	3	0	12
		%	0.0%	75.0%	0.0%	25.0%	0.0%	100.0%
	Police office	Frequency	0	21	3	3	0	27
		%	0.0%	77.8%	11.1%	11.1%	0.0%	100.0%
Total		Frequency	6	78	3	33	3	123
		%	4.9%	63.4%	2.4%	26.8%	2.4%	100.0%

In addition, the data from document analysis and interview shows that the five rights of purchasing are not considering well in purchasing process. Comparatively quantity is doing well than any other principles. Therefore, the performance of purchasing unit is not satisfactory in purchase of items based on the five principles of purchasing.

Table 4-12 in which area do you think the purchasing function doing badly

In which area do you think the purchasing function doing badly							Total
			Right quality	Right price	Right source	Right time	
Public sector representation	Fin and Eco Dev office	Frequency	3	0	0	6	9
		%	33.3%	0.0%	0.0%	66.7%	100.0%
	Mayor office	Frequency	3	0	0	3	6
		%	50.0%	0.0%	0.0%	50.0%	100.0%
	Municipality office	Frequency	9	0	0	15	24
		%	37.5%	0.0%	0.0%	62.5%	100.0%
	Mic. and Small Enter office	Frequency	6	0	3	9	18
		%	33.3%	0.0%	16.7%	50.0%	100.0%
	Trade office	Frequency	15	0	0	0	15
		%	100.0%	0.0%	0.0%	0.0%	100.0%
	Council office	Frequency	3	0	0	0	3
		%	100.0%	0.0%	0.0%	0.0%	100.0%
	Civil Service	Frequency	9	0	0	0	9
		%	100.0%	0.0%	0.0%	0.0%	100.0%
	Tax & Custom Office	Frequency	12	0	0	0	12
		%	100.0%	0.0%	0.0%	0.0%	100.0%
	Police office	Frequency	6	6	3	12	27
		%	22.2%	22.2%	11.1%	44.4%	100.0%
Total		Frequency	66	6	6	45	123
		%	53.7%	4.9%	4.9%	36.6%	100.0%

Table 4.12 shows that in general, 63.4% of the respondents reported that Right quality is doing badly by the purchasing unit. The rest 36.6%, 4.9% and 4.9% respondents revealed that the purchasing unit is doing badly on Right time, Right source and Right price. Thus, purchasing activity is doing badly in delivering the item in the right time, quality, source and price.

4.4 Lead time of the responded items

According to the data obtained from the questionnaire, only 66.7% of Finance and Economic Development office and half of Mayor Office respondents reported that the purchase takes 1-2 weeks. On the other hand 25% of Tax & Custom Office and 44.4% of Police office respondents replied that the purchase takes more than 6 months. On average, 17.1% of all respondents reported that the purchase takes 1-2 weeks. The rest 36.6%, 24.4%, 9.8% and 12.2% respondents replied that the purchase takes 3-6 weeks, 7-12 weeks, 13- 20 weeks and More than 6 month respectively.

Table 4-13 what is the average time it takes you to receive an item you requested

What is the average time it takes you to receive an item you requested								Total
			1-2 weeks	3-6 weeks	7-12 weeks	13- 20 weeks	More than 6 month	
Public sector representation	Fin and Eco Dev office	Frequency	6	0	3	0	0	9
		%	66.7%	0.0%	33.3%	0.0%	0.0%	100.0%
	Mayor office	Frequency	3	0	3	0	0	6
		%	50.0%	0.0%	50.0%	0.0%	0.0%	100.0%
	Municipality office	Frequency	0	15	6	3	0	24
		%	0.0%	62.5%	25.0%	12.5%	0.0%	100.0%
	Mic. and Small Enter office	Frequency	6	6	0	6	0	18
		%	33.3%	33.3%	0.0%	33.3%	0.0%	100.0%
	Trade office	Frequency	3	3	9	0	0	15
		%	20.0%	20.0%	60.0%	0.0%	0.0%	100.0%
	Council office	Frequency	0	0	3	0	0	3
		%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
	Civil Service	Frequency	0	9	0	0	0	9
		%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
Tax & Custom Office	Frequency	3	6	0	0	3	12	
	%	25.0%	50.0%	0.0%	0.0%	25.0%	100.0%	
Police office	Frequency	0	6	6	3	12	27	
	%	0.0%	22.2%	22.2%	11.1%	44.4%	100.0%	
Total		Frequency	21	45	30	12	15	123
		%	17.1%	36.6%	24.4%	9.8%	12.2%	100.0%

On the other hand, the purchasing staff of the town administration reported during the interview that the length of time to receive the requested item is varying due to the nature of the item and the method of purchase takes place. If the cost of the purchased item is >100,000.00 ETB, open bid will be applicable and the purchase process may take from 3-6 months. Moreover, if the supplier failed the agreement to deliver the requested item it may take too long to get the item.

Thus, this information indicates that there is long lead time purchase and customers may not use the items on the appropriate time.

Table 4-14 Do you think it takes too long to receive the items you requested

Do you think it takes too long to receive the items you requested					Total
			Yes	No	
Public sector representation	Fin and Eco Dev office	Frequency	6	3	9
		%	66.7%	33.3%	100.0%
	Mayor office	Frequency	0	6	6
		%	0.0%	100.0%	100.0%
	Municipality office	Frequency	24	0	24
		%	100.0%	0.0%	100.0%
	Mic. and Small Enter office	Frequency	12	6	18
		%	66.7%	33.3%	100.0%
	Trade office	Frequency	15	0	15
		%	100.0%	0.0%	100.0%
	Council office	Frequency	3	0	3
		%	100.0%	0.0%	100.0%
	Civil Service	Frequency	9	0	9
		%	100.0%	0.0%	100.0%
	Tax & Custom Office	Frequency	12	0	12
		%	100.0%	0.0%	100.0%
	Police office	Frequency	21	6	27
		%	77.8%	22.2%	100.0%
Total		Frequency	102	21	123
		%	82.9%	17.1%	100.0%

On the other hand, respondents answered about their perception whether the period of time for purchasing is long or not. On this issue all of Municipality office, Trade office, Council office, and Civil Service and Tax& Custom Office respondents replied that the time from request to receive of the item is too long. On average, 82.9% of the respondents reported that the time taken for purchasing process is too long.

Literatures revealed that efficiency of purchasing unit can be judged on the time taken ordinarily to process a purchase requisition and emergency purchase made the loose of operation sustained

on account of delay in purchasing orders (Nair, 1990). Thus, there is poor performance or purchasing unit in the town administration based on the respondents report.

Respondents also asked about the reasons why the purchasing process takes too long time. Most of them (56.2%) replied that lengthy purchasing process may be the reason for taking long time to receipt the requested items. The rest 21.9%, 18.8% and 3.1% of respondents reported that the reason may be because of work load on the purchasing staff, bureaucratic red tape and lack of skill by the purchasing staff.

Also the interview result with the purchasing unit shows that the purchasing procedure and methods of purchase followed entail long process. Due to this, items requested this year might deliver after one or two years. Purchasing procedures and methods of purchasing followed by the town administration purchasing unit are presented as follows.

4.4.1 The purchasing Procedure

The purchasing process in the office involves 17 steps, which includes:

1. Need recognition by users:
2. Verification of purchase requisition: the general services head verifies purchase requests by checking whether budget is there for the particular purchase.
3. Preparations summary of items to be purchased: The purchasing head prepares list summarizing the items to be purchased.
4. Bid document preparation: Technique committee will prepare bid document and the document will be ready with the purchasing manual for bidders.
5. Invitation for the bid: The bid will be announced on a well-established newspaper having wide coverage and on other media.
6. Bidders shall fill the bid document and return

7. Technical committee verifies bid documents: If items are technical like computers and accessories IT experts shall verify the bid document against the specification.
8. Suppliers' evaluation: Auction committee evaluates suppliers and selects the winner based on least price criteria.
9. Presentation of purchase order: Head of purchasing presents the purchase order to the selected supplier.
10. Delivery of items: the supplier delivers the item to store.
11. Quality check: For technical items like computers IT expert will check items against specification, bid document and purchase order and if items are non-technical, quality committee check the items against purchase order and recommends the items to be accepted.
12. Confirmation for receiving: head of Finance and Economic Development Office confirms the items shall be accepted and receiving invoice shall be issued.
13. Issuance of receiving invoice: The store keeper issues receiving invoice to the supplier.
14. 15. Request for payment: Purchasing head requests payment to be effected to the finance department.
15. Finance prepares the Money for the payment
16. Purchasing head makes the payment
17. Purchased items shall be dispatched to users

4.4.2 Methods of Purchasing

In the town administration Finance and economic Development Office, the purchasing department uses six different types of purchases for particular situations to be applied, which are listed in the manual prepared by ANRS Bureau of Finance and Economic development.

The types of purchases are:

1. **Open bid**– A type of purchase, which is applied with the following requirements:

- i. The invitation for bid must be announced on the media and published on newspaper.
- ii. The announcement must clearly state important information like the purchasing institute name, location, the items to be purchased, where and when to collect and return bid documents, the bid bond amount, the time and place for the auction to take place etc.
- iii. Purchases costing 40,000 or more shall be made through open bid.

2. **Purchase made through invitation for quotation of price/Performa invoice/**

In this type of purchase, first the purchasers collect at least three quotations for price/ Performa invoice/ from different suppliers in a sealed envelope then envelope will be opened by the purchasing head and, the one quoted the least price will be selected. Purchases less than 40000 birr, worth can be made by this method.

3. **Purchase made through invitation for interest-** This type of purchase issued for purchase of consultant services. The process involves: first, announcement would be made for suppliers to present their terms of references and show their interest; then a standard format developed by purchasing agency will be used to guide those suppliers who showed interest to participate in the auction.

4. **Purchase made from a single supplier**

This type of purchase are made when the followings are satisfied

- i. When there already exists a contractual agreement to supply items and additional supply of not more than 25% of the original purchase is required,
- ii. A n d when the additional purchase is needed within 6 months period of the conclusion of the original purchase.
- iii. When the supplier is the only one to supply the spare parts of the equipment's used by the purchaser.
- iv. When the supplier is the only manufacture of the item.

5. **Closed bid** – A type of purchase which invites only selected suppliers to participate in the auction.

6. Direct bid -A type of purchase which invites only a single supplier and the purchasing unit can negotiate with the supplier.

Table 4-15 Have you encountered any problem because of the poor performance of purchasing

Have you encountered any problem because of the poor performance of purchasing					Total
			yes	no	
Public sector representation	Fin and Eco Dev office	Frequency	9	0	9
		%	100.0%	0.0%	100.0%
	Mayor office	Frequency	3	3	6
		%	50.0%	50.0%	100.0%
	Municipality office	Frequency	21	3	24
		%	87.5%	12.5%	100.0%
	Mic. and Small Enter office	Frequency	18	0	18
		%	100.0%	0.0%	100.0%
	Trade office	Frequency	15	0	15
		%	100.0%	0.0%	100.0%
	Council office	Frequency	3	0	3
		%	100.0%	0.0%	100.0%
	Civil Service	Frequency	9	0	9
		%	100.0%	0.0%	100.0%
	Tax & Custom Office	Frequency	12	0	12
		%	100.0%	0.0%	100.0%
	Police office	Frequency	27	0	27
		%	100.0%	0.0%	100.0%
Total		Frequency	117	6	123
		%	95.1%	4.9%	100.0%

The other question which was raised for the respondents is whether they face a problem because of the poor performance of purchasing or not. All of Finance and Economic Development office, Micro and Small Enterprises office, Trade office, Council office, and Civil Service, Tax & Custom Office and Police office respondents replied that they have got encountered problems because of the poor performance of purchasing. Therefore, it is possible to say that the staff of the town administration may not perform their activities in a well manner due to the poor performance of the purchasing unit of the town administration.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter has three main parts. The first part presents the study's conclusions, using the research questions as a guide. This section summarizes the results of the study and briefly discusses the findings of the study on the basis of the theory. The second part of the chapter also presents recommendation as a remedial measure of the problems based on the findings of the study, and the third part presents recommendation for further studies since the findings and conclusions to this study could not be wholly accepted and used a piece of authority until similar findings are done in other institutions or different mythologies are used to find out similar result.

2.1 Conclusions

Based on the data analyzed in the previous part, the following conclusions are drawn.

- Purchasing staff of Finance Economic Development Office are not efficient in purchase requisition processing; users do not make purchase requisition frequently and the purchasing staffs of the office are not busy by large and frequent purchase requests.
- Most of the time, requested items are never purchased due to supplier problem, lack of well trained and experienced purchasing unit, supplier selection problem, carelessness of the purchasing unit and price fluctuation. As a result, users are unable to perform their tasks effectively.
- There is of mismatch purchased items due to purchasers lack of knowledge to identify the requested item and due to unavailability of standardized purchase requisition format.
- The purchasing unit of the office is poor in purchase of items in terms of the five principles of purchasing, i.e., it is not purchase at the right quality, at the right quantity, at the right time, in the right price and from the right supplier.

- Lengthy purchasing process is the major reason for delay of the requested item. Hence, these conditions may affect the effectiveness of the work of all offices of the town administration.
- There are no standards and criteria used to select right supplier, suppliers are selected only based on lowest price criteria.
- There is no organized system to expedite and follow up the purchasing process.
- There is lack of purchasing experts; purchasing is professional. However, employees assigned in purchasing department are from other profession. As a result, there is a communication gap with the principles and ethics of purchasing.

2.2 Recommendations

Based on the information concluded above, the following recommendations are forwarded:

- ✓ The office should give great emphasis for purchasing functions.
- ✓ Professional and qualified experts must be assigned for purchasing to minimize the poor purchasing practices.
- ✓ Designing standard purchase requisition and purchase orders to minimize specification problems.
- ✓ Establish long term relationships with potential suppliers to solve supply problems.
- ✓ Create awareness for purchasing staff to purchase based on the five principles of purchasing (right quality, right quantity, right price, right time and right supplier), than the least price criteria.
- ✓ Develop formal and standard supplier evaluation and selection criteria to get right supplier.
- ✓ It should develop clear performance evaluation criteria for the purchasing staff.
- ✓ Training program must be prepared for purchasing staff to provide basic information about purchasing ethics and how to manage it.
- ✓ Modern and systematic ways of expediting and follow up of the purchasing process must be established.
- ✓ Relationships need to be established with suppliers to minimize shortages and to get quality items.
- ✓ The purchasing department must have to work in coordination with all offices of the town administration to better understand their needs and to reduce complains.
- ✓ There should be recognition and incentives to motivate and encourage purchasers for good performance.
- ✓ Reduce the length of purchasing process by avoiding unnecessary and redundant steps.
- ✓ Create relationships with similar offices or organizations to share and develop ideas about purchasing practices.

- ✓ Establish users' complain handling system and mechanisms.

2.3 Recommendations for Further Studies

- In order to have the full picture of the problems as well as solutions of purchasing activities and practices, it is preferable to conduct studies from suppliers view point in addition to assessing from users and purchasing staff members view point.
- Since the study is conducted only in public sector, there needs to be a study on the purchasing activities of private sectors to improve knowledge on areas of purchasing activities and practices.

CHAPTER SIX

REFERENCES AND APPENDIXES

6.1 REFERENCES

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6.2 APPENDIX

Annex One: The Questionnaire

University of Gondar

Faculty of Business and Economics

Management Department

Questionnaire for employees of Addis Zemen Town Administration

Dear, Sir, my name is Habteyesus Fiseha. I am a postgraduate student at University of Gondar. This questionnaire is prepared to assess the purchasing practice of Addis Zemen Town Administration Finance and Economic Development Office. The study will help in identifying major problems related with the purchasing activity and suggest potential solutions for these problems. The information from the questionnaire will be confidential, and will be used for the purpose of scientific research only. Furthermore, the information you provide will never to be disclosed by names to any other body as my consent of ethical. Thus your cooperation is highly unquestionable to conduct this research.

Note: only one alternative at time for each item.

1. General instruction

- Questionnaire Code _____
- For the multiple questions, enclose your best choice
- For the open ended questions, please write your answers in the space provided, and
- For close ended questions place 'X' marks against your choice

2. Personal Information about the Respondent

No	Features	Response
2.1	Gender: 1=Male 2=Female	
2.2	Age	
2.3	Education Level Certificate and below =1, Diploma =2, First Degree=3, MSc./MA and Above =4	

3. Opinions of respondents on purchasing practice

4. Do you make purchase request?

1) Yes 2) No

5. How often do you fill purchase requisition?

1) At least once in a month 2) At least once in a quarter
3) At least twice a year 4) Once in a year

How do you rate the performance of purchasing function in the following respects?

It purchases the	Always(1)	Most of the time(2)	Rarely(3)	Never(4)	Don't know (0)
6. RIGHT QUALITY					
7. RIGHT QUANTITY					
8. From RIGHT SOURCE					
9. For RIGHT PRICE					
10. At RIGHT TIME					

11. What is the average time it takes you to receive an item you requested?

- A) 1-2 weeks B) 3-6weeks
 C) 7-12 weeks D) 13-20weeks
 E) More than 6month

12. Do you think it takes too long to receive the items you requested?

- A) Yes B) No

13. If you answered yes for question 12, what do you think the reason is?

- A) Lengthy purchasing process B) Bureaucratic red tape
 C) Work load on the purchasing staff D) Lack of skill by the purchasing staff
 E) Lack of motivation F) Suppliers problem
 G) Budget problem H) others (mention) _____

14. In which area do you think the purchasing function doing well?

- A) Right quality B) Right quantity
 C) Right price D) Right source
 E) Right time

15. In which area do you think the purchasing function doing badly?

- A) Right quality B) Right quantity
 C) Right price D) Right source
 E) Right time

16. Have you encountered any problem because of the poor performance of purchasing?

- A) Yes B) No

17. If yes, please write;

A. The incidence _____

B. The Result _____

18. Were there instances that the items you requested never purchased?

A) Yes B) No

19. If yes, were you informed why they will not be purchased on time?

A) Yes B) No

20. Are there instances that the purchasing unit purchased items for you, which are different from your request?

A) Yes B) No

21. If yes, what do you think would be the reason?

A) Unclear specification of items on the purchase request

B) Purchasers lack of knowledge to identify the item

C) Suppliers do not have the item

D) Others _____

22. What is the consequence of such mismatch purchasing activity?

Annex Two: The Interview-1

Interview guidelines for head of finance and economic development office

1. What are the fundamental documents guiding your purchasing process?

2. What are the basic objectives of the purchasing function?

3. What are the steps involved in the purchasing process?

4. Do you think any of the steps in the process are pointless at least some times?

5. Have you practiced problems in implementing a purchase process due to any of the steps involved?

6. Which of the FIVE RIGHTS of purchasing [right quality, right quantity, right price, right time and right source] is/are given more emphasis in your purchasing process?
7. Do you think the purchasing manual gives more emphasis to some of the FIVE RIGHTS of purchasing?
8. Which of the FIVE RIGHTS of purchasing if not met would have more consequences?
9. Which of the FIVE RIGHTS of purchasing if met would have more rewards?
10. What are the criteria used in selecting suppliers?
11. Are there ways to evaluate whether purchases are done according to FIVE RIGHTS of purchasing [right quality, right quantity, right price, right time and right source]?
12. How do you expedite the purchasing process?

Annex Three: The Interview-2

Interview questions for purchasing employees

Position -----

Qualification -----

1. Briefly describe the nature of your job
2. What is your responsibility in the purchasing process?
3. What kind of decisions can you make by your own?
4. How many purchase requisitions do you receive per week on the average?

5. How many of them do you process / make a purchase per week?
6. How long a particular purchase would take you on the average?
7. How do you identify the right supplier?
8. What do you think is the most important objective to be met in a particular purchase?
9. Which of the FIVE RIGHT of purchasing [right quality, right quantity, right price, right time and right source] if done wrong would have serious consequences?
10. Which of the FIVE RIGHT of purchasing [right quality, right quantity, right price, right time and right source] if well met would have satisfactory reward?
11. Is there a mechanism to encourage efficient and prompt purchase in the organization?
12. Is there a mechanism to expedite the purchasing process?
13. Do you think the management evaluates your performance based the FIVE RIGHTS of purchasing?
14. Are there instances that users' complaint about the following?

A. Late purchases	Yes	No
B. wrong quality items	Yes	No
B. Wrong quality items	Yes	No
C. Wrong quantity of items	Yes	No
D. Wrong sourcing of items	Yes	No
E. Wrong pricing of items	Yes	No
15. Which of the complaints directly attribute to your inefficiency?
16. Which of the complaints directly attributable to the management problem?
17. Which of the complaints directly attributable to user's problem?
18. Which of the complaints directly attributable to suppliers' problem?
19. Which of the complaints directly attributable to the purchasing process problem?